

GAS UTILITY DISTRICT NUMBER 1
of EAST BATON ROUGE PARISH
FINANCIAL STATEMENTS

June 30, 2012

WILLIAM P. GAINES, JR., CPA
A Professional Accounting Corporation

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Gas Utility District No. 1
of East Baton Rouge Parish
Zachary, Louisiana

I have audited the accompanying financial statements of Gas Utility District No. 1 of East Baton Rouge Parish, Louisiana, a related organization of the East Baton Rouge Parish Government, as of and for the year ended June 30, 2012 as listed in the table of contents. These financial statements are the responsibility of Gas Utility District No. 1's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gas Utility District No. 1 of East Baton Rouge Parish as of June 30, 2012 and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT
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Management's discussion and analysis on page 3 is not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 17, 2012, on my consideration of Gas Utility District No. 1 of East Baton Rouge Parish's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

My audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule 1 listed in the table of contents as supplementary information is presented for purposes of additional analysis as required by the Louisiana Governmental Audit Guide and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.



William P. Gaines, Jr., CPA
December 17, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis of Gas Utility District No. 1 of East Baton Rouge Parish presents narrative overview and analysis of the District's financial activities for the year ended June 30, 2012. This document focuses on the current year's activities, resulting changes and currently known fact in comparison with the prior year's information. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- The expenses of the District exceeded its revenues as of June 30, 2012 by \$40,365.
- At June 30, 2012, the District's assets totaled \$3,609,319.
- The District reported gas sales of \$1,864,949 during the year ended June 30, 2012.
- The District's Meter Deposit had an increase in the year ended June 30, 2012.
- The District's Gas System had approximately \$118,582 of major capital additions.

Overview of the Financial Statements

The preparation of these financial statements requires the utilization of significant estimates, many of which will not be known for many years.

Condensed Statements of Net Assets

	June 30, 2012	June 30, 2011
Current assets	\$ 2,753,616	\$ 2,864,280
Capital assets, net	<u>839,557</u>	<u>813,320</u>
Total Assets	3,593,173	3,677,600
Current liabilities	58,648	\$ 169,259
Long term liabilities	<u>431,771</u>	<u>365,222</u>
Total Liabilities	<u>490,419</u>	<u>534,481</u>
Net Assets	<u>\$ 3,102,754</u>	<u>\$ 3,143,119</u>

GAS UTILITY DISTRICT NO. 1 OF EAST BATON ROUGE PARISH
STATEMENT OF NET ASSETS
ENTERPRISE FUND
JUNE 30, 2012

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 1,654,529
Investments	943,675
Billed accounts receivable	41,625
Less allowance for uncollectible	(4,296)
Unbilled accounts receivable	55,640
Prepaid insurance	<u>62,443</u>

TOTAL CURRENT ASSETS 2,753,616

NONCURRENT ASSETS

Capital Assets	
Land	22,900
Buildings	369,910
Machinery and equipment	417,808
Furniture and fixtures	36,003
Vehicles	188,984
Gas system	2,191,523
Contributed assets	6,000
Billing software	21,465
Less accumulated depreciation	(2,415,106)
Deposits	<u>70</u>

TOTAL NONCURRENT ASSETS 839,557

TOTAL ASSETS \$ 3,593,173

The accompanying notes are an integral part of these financial statements

GAS UTILITY DISTRICT NO. 1 of EAST BATON ROUGE PARISH
 STATEMENT OF NET ASSETS
 ENTERPRISE FUND
 JUNE 30, 2012

LIABILITIES AND FUND EQUITY

CURRENT LIABILITIES

Accounts payable	\$ 1,235
Current portion, compensated absences	57,413
Net OPEB obligation (Note 5)	<u>62,904</u>

TOTAL CURRENT LIABILITIES	<u>121,552</u>
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NONCURRENT LIABILITIES

Unclaimed bonds	5,023
Customer meter deposits	163,717
Compensated absences	172,240
Net OPEB obligation (Note 5)	<u>27,887</u>

TOTAL NONCURRENT LIABILITIES	<u>368,867</u>
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TOTAL LIABILITIES	<u>490,419</u>
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NET ASSETS

Contributed capital	6,000
Invested in capital assets	839,557
Unassigned	<u>2,257,197</u>

TOTAL NET ASSETS	\$ 3,102,754
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,593,173</u>
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The accompanying notes are an integral part of these financial statements

GAS UTILITY DISTRICT NO. 1 of EAST BATON ROUGE PARISH
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
 NET ASSETS
 ENTERPRISE FUND
 FOR THE YEAR ENDED JUNE 30, 2012

OPERATING REVENUES

Gas sales	\$ 1,864,949
Service charges	39,380
Gain on sale of equipment	1,278
Other income	<u>35,905</u>

TOTAL OPERATING REVENUES	<u>1,941,512</u>
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OPERATING EXPENSES

Gas purchases	403,772
Payroll	718,306
Insurance	116,854
Compensated absences	28,910
Employee benefits	125,951
Post retirement benefits	111,859
Repairs and maintenance	47,679
Depreciation expense	93,658
Employee retirement	69,554
Payroll taxes	59,943
Fuel	39,290
Legal and professional	48,198
Postage	23,392
Gas purchases fee	10,699
Office expense	5,940
Telephone	20,049
Utilities	14,670
Supplies	16,040
Miscellaneous	6,662
Small tools	1,903
Employee training and seminars	10,413
Janitorial and trash	5,618
Dues	5,544

The accompanying notes are an integral part of these financial statements

Continued

GAS UTILITY DISTRICT NO. 1 of EAST BATON ROUGE PARISH
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
 NET ASSETS (continued)
 ENTERPRISE FUND
 FOR THE YEAR ENDED JUNE 30, 2012

One call concept	2,490
Security	379
Drug testing	1,632
Rental of equipment	2,025
Bank charges	2,205
Taxes and licenses	384
Freight	<u>107</u>
TOTAL OPERATING EXPENSES	<u>1,994,126</u>
OPERATING INCOME (LOSS)	<u>(52,614)</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest income	<u>12,249</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>12,249</u>
CHANGE IN NET ASSETS	<u>(40,365)</u>
NET ASSETS, AT BEGINNING OF YEAR	<u>3,143,119</u>
NET ASSETS, AT END OF YEAR	<u>\$ 3,102,754</u>

The accompanying notes are an integral part of these financial statements

GAS UTILITY DISTRICT NO 1 of EAST BATON ROUGE
STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2012

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 2,015,206
Payments to suppliers	(1,008,705)
Payments to employees	(807,159)
Payment for employee benefits	(195,505)
NET CASH (USED) BY OPERATING ACTIVITIES	<u>3,837</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	<u>-0-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of capital assets	(119,895)
NET CASH (USED) BY CAPITAL AND RELATED FINANCIAL ACTIVITIES	(119,895)
CASH FLOWS FROM INVESTING ACTIVITIES	
Increase in investment account	(208,958)
Interest income	<u>12,249</u>
NET CASH (USED) BY INVESTING ACTIVITIES	(196,709)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(312,767)
BALANCE - BEGINNING OF YEAR	<u>1,967,296</u>
BALANCE - END OF YEAR	<u><u>1,654,529</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH (USED) BY OPERATING ACTIVITIES	
Operating income	(52,614)
Adjustments to reconcile operating income to net cash proceeds (used) by operating activities	
Depreciation expense	93,658
Change in assets and liabilities	
Increase in receivables	6,854
Decrease in payables	(4,608)
Decrease in accruals	<u>(39,453)</u>
NET CASH (USED) BY OPERATING ACTIVITIES	<u><u>\$ 3,837</u></u>

The accompanying notes are an integral part of these financial statements.

GAS UTILITY DISTRICT NO. 1 of EAST BATON ROUGE PARISH
NOTES TO FINANCIAL STATEMENTS

Introduction and Nature of Activities

The Gas Utility District No. 1 of East Baton Rouge Parish (hereinafter referred to as the "District") is a political subdivision of the State of Louisiana and a related organization of the East Baton Rouge Parish Government. The District was created by the East Baton Rouge Parish government on November 8, 1961, under the provision of R.S. 33:4301, and operates under a Board of Commissioners form of government. The commissioners are appointed for a term of five years, except to fill an unexpired term. There are nine commissioners, seven of which are appointed by the East Baton Rouge Parish Council and two which are appointed by the Mayor of the City of Zachary. The District provides natural gas to homes and businesses in a defined area of East Baton Rouge Parish, Louisiana. The District serves approximately 3,200 customers and has approximately 10 employees.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The accompanying financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Effective for the year ended December 31, 2004, the District implemented Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The most significant change as a result of the implementation of Statement No. 34 is, for the first time, the District included a Management's Discussion and Analysis (MD&A) section providing an analysis of the District's overall financial position and results of operations. The implementation of this new accounting pronouncement did not change the District's policies for recognizing revenues or expenses and did not result in any changes in reporting earnings or retained earnings of the District.

B. Reporting Entity

Gas Utility District No. 1 of East Baton Rouge Parish is a related organization of the East Baton Rouge Parish government (the primary government). Organizations for which a primary government is accountable because the government appoints a voting majority of the board, but is

GAS UTILITY DISTRICT NO. 1 of EAST BATON ROUGE PARISH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

not financially accountable, are related organizations. The East Baton Rouge Parish government is not financially accountable for the District. The accompanying financial statements present only financial information of this related organization and no other organizations.

C. Fund Accounting

The Gas Utility District is organized and operated on a fund basis whereby a self-balancing set of accounts (Enterprise Fund) is maintained that comprises its assets, liabilities, fund equity, revenues, and expenses. The operations are financed and operated in a manner similar to a private business enterprise, where the intent of the governing body is that the cost (expenses, including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges.

The District follows all GASB pronouncements and all FASB statements and interpretations that were issued prior to November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, as described in paragraph 6 of GASB 20.

D. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Enterprise Fund is accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. The Enterprise Fund uses the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

E. Cash and Cash Equivalents

Cash includes cash on hand and cash in interest bearing demand deposits. Cash equivalents include amounts in time deposits (CD's) and investments with original maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest bearing demand deposits or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

GAS UTILITY DISTRICT NO. 1 of EAST BATON ROUGE PARISH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

F. Investments

The District has investments in certificates of deposit totaling \$ 943,675 in 2012. Governmental Accounting Standards Board Statement 9 requires non-negotiable certificates of deposits with an original maturity of more than three months be classified as investments.

G. Inventory

The District's inventory, valued at the lower of cost or market, consists of hot water heaters and gas space heaters. Cost is determined using the first-in first-out method. The current balance of inventory is zero.

H. Unclaimed Bonds

All outstanding bonds matured on June 1, 1987 and do not earn any interest from that date. The interest rate on the bonds was 4% per annum. The balance remaining of unclaimed bonds is \$5,023.

I. Prepaid Items

The District's only prepaid asset consists of prepaid insurance. The District's insurance policy period is February 1 through January 31.

J. Fixed Assets

Fixed assets of the District are included on the balance sheet of the fund. Depreciation is charged as an expense against operations.

Fixed assets are recorded at cost and depreciated using the straight line method over their estimated useful lives. The estimated useful lives are as follows:

Buildings	25 years
Machinery and equipment	5 - 12 years
Furniture and fixtures	5 - 10 years
Vehicles	5 years
Gas systems	15 - 40 years

GAS UTILITY DISTRICT NO. 1 of EAST BATON ROUGE PARISH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

K Accounts Receivable

All accounts receivable result from billings to customers for natural gas used.

L. Bad Debts

Uncollectible accounts due from customers are recognized as bad debts through the establishment of an allowance account. In 2012, the allowance account was deemed to be sufficient; consequently, no adjustments were made.

M. Unbilled Accounts Receivable

The District has its customer routes divided into 4 billing cycles which are the 1st, the 8th, the 16th, and the 22nd of each month. Under this procedure, meters are read and billed based on their billing cycle. At the end of the month, customers will have used some gas for which they have not yet been billed. At the end of June, an entry is made to accrue this unbilled revenue.

N. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

O. Income Taxes

The District is a local governmental entity that is exempt from income taxes.

P. Compensated Absences

The District's policy on vacation allows the carryover of vacation days. The number of days allowed is determined by the length of service. The maximum number of vacation days that can be accumulated is 45. Sick leave is earned at the rate of one day for every month worked. Employees vest sick leave days up to 10 years of service. The maximum at that level is 6 months full pay and 6 months half pay. At the date of termination, an employee will be paid for any unused vacation

GAS UTILITY DISTRICT NO. 1 of EAST BATON ROUGE PARISH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

and sick leave at their then current rate of pay. The estimated amount of vacation and sick leave to be used in the coming year is considered a current liability. The balance of the unpaid vacation and sick leave is considered a long term liability.

Q. Pension Fund for Employees

The District established the "Gas Utility District No. 1 of East Baton Rouge Parish Money Purchase Plan" effective June 1, 1979. State Farm Insurance Company is the trustee of this defined contribution plan.

The plan is funded by monthly contributions of 10% of eligible employee wages paid between July 1 and June 30. The plan allows eligible employee contributions of up to 10% of their wages. To be an eligible employee, an individual must be 21 years of age and have been employed by the Gas Utility District for six months.

The District uses Union Planters Bank's Non-Standardized Defined Contribution Prototype Plan and complies with the provisions of the Tax Reform Act of 1986 which became effective in 1993. The vesting schedule presently being applied is as follows:

1 - 2 years participation	0% vested
3 years	20% vested
4 years	40% vested
5 years	60% vested
6 years	80% vested
7 and over years	100% vested

When an employee leaves employment and the employee is not fully vested, the unvested portion is used to reduce the current year's contribution.

The contributions for the year ended June 30, 2012 were \$69,554.

R. Post Employment Benefits

The District provides certain health care benefits, in accordance with the policy adopted by the Board of Commissioners, to all employees who retire from the District and to the retirees' beneficiaries and dependents who were receiving benefits when the retiree died. At June 30, 2011, the District had two retired employee's dependents who were receiving these benefits. The District recognizes the cost of providing these benefits by expensing the annual insurance premium, which was \$32,644 for the year ended June 30, 2012.

GAS UTILITY DISTRICT NO. 1 of EAST BATON ROUGE PARISH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

S. Related Party Transactions

There were no related party transactions.

T. Litigation and Claims

There were no litigations or claims against the District.

U. Subsequent Events

Subsequent events were considered and evaluated through December 17, 2012. No subsequent events through that date were found.

NOTE 2. CASH AND CASH EQUIVALENTS

At June 30, 2012, the District had cash and cash equivalents of \$2,598,204 as follows:

Current Assets	
Cash on hand	\$ 1,801
Cash in interest bearing demand deposits	1,652,728
Investments	<u>943,675</u>
Total in current assets	<u>\$ 2,598,204</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits or bank balances must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At June 30, 2012 the District had \$2,598,204 in deposits (collected bank balances and certificates of deposit). These deposits are secured from risk by \$250,000 of federal deposit insurance and \$2,750,393 of pledged securities held by the custodial bank in the name of the fiscal agent bank (GASB Category 3). Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statements No. 3, La. R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the District that the fiscal agent has failed to pay deposited funds upon demand.

GAS UTILITY DISTRICT NO. 1 of EAST BATON ROUGE PARISH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 3. FIXED ASSETS

A summary of fixed assets at June 30, 2012 follows:

	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
Land	\$ 22,900	\$ -0-	\$ 22,900
Buildings	369,910	363,122	6,788
Machinery and equipment	417,808	357,245	60,563
Furniture and fixtures	36,003	36,003	-0-
Vehicles	188,984	94,435	94,549
Billing software	21,465	19,426	2,039
Gas system	2,191,523	1,544,875	646,648
Contributed assets	<u>6,000</u>	<u>-0-</u>	<u>6,000</u>
	\$ 3,254,593	\$ 2,415,106	\$ 839,487

A summary of changes in fixed assets at June 30, 2012 follows:

<u>Asset</u>	<u>06/30/11</u>	<u>Additions</u>	<u>Retirements</u>	<u>06/30/12</u>
Vehicles	\$ 211,400	\$	\$ 22,416	\$ 188,984
Billing Software	21,465			21,465
Buildings	369,910			369,910
Equipment	416,495	1,313		417,808
Furniture	36,003			36,003
Gas System	2,072,941	118,582		2,191,523
Land	22,900			22,900
Contributed Assets	<u>6,000</u>			<u>6,000</u>
	\$ 3,157,114	\$ 119,895	\$ 22,416	\$ 3,254,593

NOTE 4. RISK MANAGEMENT

The District is exposed to various risks of loss; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has purchased commercial insurance to cover these risks. The District purchased coverage for general liability; building and contents on the buildings; commercial auto liability, comprehensive, collision, and uninsured motorists; and workers compensation. The total insurance cost for fiscal year ended June 30, 2012 was \$116,854.

GAS UTILITY DISTRICT NO. 1 of EAST BATON ROUGE PARISH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 5. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS

Plan Description. Gas Utility District No. 1 of East Baton Rouge Parish (The District) administers a single employer defined benefit healthcare plan ("the Retiree Health Care Plan"). The plan provides, until age 65, healthcare insurance for eligible retirees and their spouses through a group health insurance plan, which covers both active and retired members. Benefit provisions are established through negotiations between the District and the health insurance company and are renegotiated annually. The Plan does not issue a financial report.

Funding Policy. Contribution requirements are directed by the Board of Directors. The District contributes 100% of the cost of the current year premiums for eligible retired plan members and their spouses. Plan members receiving benefits contribute none of their premium costs. In fiscal year 2012, total member contributions were \$ -0-.

Annual OPEB Cost and Net OPEB Obligation. The District's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC). The District has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Retiree Health Plan:

Annual required contribution	\$ 111,859
Interest on net OPEB obligation	3,792
Adjustment to annual required contribution	<u>(7,792)</u>
Annual OPEB cost (expense)	107,859
Contributions made	<u>(111,859)</u>
Increase in net OPEB obligation	<u>(4,000)</u>
Net OPEB obligation – beginning of year	<u>94,791</u>
Net OPEB obligation – end of year	<u>\$ 90,791</u>

GAS UTILITY DISTRICT NO. 1 of EAST BATON ROUGE PARISH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2012 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentages of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/09	\$85,497	53.90 %	\$ 39,441
6/30/10	88,873	57.00 %	77,652
6/30/11	91,034	81.20%	94,791
6/30/12	107,859	103.70%	90,791

Funded Status and Funding Progress. As of June 30, 2012, the actuarial accrued liability for benefits was \$849,408, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$410,868 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 206.7%.

Healthcare cost trend rate – The expected rate of increase in healthcare insurance premiums was based on projections of the insurer assumed to increase with medical trend rates. A rate of 10% initially, reduced to a ultimate rate of 5% after eleven years was used.

Payroll growth rate – The expected long term payroll growth rate was assumed to be equal to the rate of inflation.

Based on the historical and expected returns of the District's short term investment portfolio, a discount rate of 4% was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2012 was 17 years.

GAS UTILITY DISTRICT NO. 1 OF EAST BATON ROUGE PARISH
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Funding Progress
for the Retiree Health Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Simplified Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a-b)	Covered Payroll (c)	UAAL as a percentage of covered payroll ((b-a)/c)
6/30/09	\$ -0-	\$ 772,540	\$ 772,540	0.0%	\$ 562,795	137.3%
6/30/10	-0-	785,126	785,126	0.0%	619,075	138.7%
6/30/11	-0-	794,664	794,664	0.0%	637,647	124.6%
6/30/12	-0-	849,408	849,408	0.0%	410,868	206.7%

NOTE 6. REQUIRED ADDITIONAL DISCLOSURES

A. Board members do not receive per diem payments and no per diem payments were made for the year ended June 30, 2012.

B. There were no professional service payments made to contractors for surveys, feasibility studies, or special studies;

C. There were no federal award programs.

William P. Gaines, Jr., CPA
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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Commissioners
Gas Utility District No. 1
of East Baton Rouge Parish
Zachary, Louisiana

I have audited the financial statements of Gas Utility District No.1 of East Baton Rouge Parish as of and for the year ended June 30, 2012, and have issued my report thereon dated December 17, 2012. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Gas Utility District No. 1 of East Baton Rouge Parish's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness

REPORT ON INTERNAL CONTROL OVER FINANCIAL MATTERS
AND ON COMPLIANCE AND OTHER MATTERS
PAGE 2

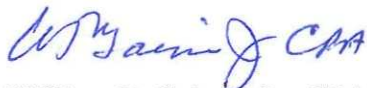
is a deficiency, or combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gas Utility District No. 1 of East Baton Rouge Parish's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity and the Louisiana Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.



William P. Gaines, Jr., CPA
December 17, 2012

SUPPLEMENTARY INFORMATION

SCHEDULE 1

GAS UTILITY DISTRICT NO. 1 of EAST BATON ROUGE PARISH
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Gas Utility District No. 1 of East Baton Rouge Parish.
2. There were no reportable conditions in internal control.
3. There was no non-compliance which is material to the financial statements.
4. A management letter was not issued.
5. There were no findings required to be reported by *Government Auditing Standards*.
6. There were no prior audit findings.
7. There were no federal award programs.

LOUISIANA ATTESTATION QUESTIONNAIRE
(For Attestation Engagements of Government)

12/2/12 (Date Transmitted)

William P. Gornas Jr. CPA (APAC)
4257 Church St STE 101
Zachary LA 70791

(Auditors)

In connection with your review of our financial statements as of [date] and for the year then ended, and as required by Louisiana Revised Statute (R.S.) 24:513 and the Louisiana Governmental Audit Guide, we make the following representations to you. We accept full responsibility for our compliance with the following laws and regulations and the internal controls over compliance with such laws and regulations. We have evaluated our compliance with the following laws and regulations prior to making these representations.

These representations are based on the information available to us as of (date of completion/representations).

Public Bid Law

It is true that we have complied with the public bid law, R.S. Title 38:2211-2296, and, where applicable, the regulations of the Division of Administration and the State Purchasing Office.

Yes [☒] No [☐]

Code of Ethics for Public Officials and Public Employees

It is true that no employees or officials have accepted anything of value, whether in the form of a service, loan, or promise, from anyone that would constitute a violation of R.S. 42:1101-1124.

Yes [☒] No [☐]

It is true that no member of the immediate family of any member of the governing authority, or the chief executive of the governmental entity, has been employed by the governmental entity after April 1, 1980, under circumstances that would constitute a violation of R.S. 42:1119.

Yes [☒] No [☐]

Budgeting

We have complied with the state budgeting requirements of the Local Government Budget Act (R.S. 39:1301-15), R.S. 39:33, or the budget requirements of R.S. 39:1331-1342, as applicable.

Yes [☒] No [☐]

Accounting and Reporting

All non-exempt governmental records are available as a public record and have been retained for at least three years, as required by R.S. 44:1, 44:7, 44:31, and 44:36.

Yes [☒] No [☐]

We have filed our annual financial statements in accordance with R.S. 24:514, and 33:463 where applicable.

Yes [☒] No [☐]

We have had our financial statements reviewed in accordance with R.S. 24:513.

Yes [☒] No [☐]

Meetings

We have complied with the provisions of the Open Meetings Law, provided in R.S. 42:11 through 42:28.

Yes [☒] No [☐]

Debt

It is true we have not incurred any indebtedness, other than credit for 90 days or less to make purchases in the ordinary course of administration, nor have we entered into any lease-purchase agreements,

without the approval of the State Bond Commission, as provided by Article VII, Section 8 of the 1974 Louisiana Constitution, Article VI, Section 33 of the 1974 Louisiana Constitution, and R.S. 39:1410.60-1410.65.

Yes ☒ No ☐

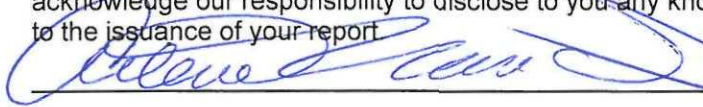
Advances and Bonuses

It is true we have not advanced wages or salaries to employees or paid bonuses in violation of Article VII, Section 14 of the 1974 Louisiana Constitution, R.S. 14:138, and AG opinion 79-729.

Yes ☒ No ☐

We have disclosed to you all known noncompliance of the foregoing laws and regulations, as well as any contradictions to the foregoing representations. We have made available to you documentation relating to the foregoing laws and regulations.

We have provided you with any communications from regulatory agencies or other sources concerning any possible noncompliance with the foregoing laws and regulations, including any communications received between the end of the period under examination and the issuance of this report. We acknowledge our responsibility to disclose to you any known noncompliance that may occur subsequent to the issuance of your report.

 ^{OFF MGR}
Secretary 12/28/12 Date

Treasurer _____ Date

President _____ Date